

MODERNIZATION OF AGRICULTURAL HEALTH PROJECT

(BL-0003)

EXECUTIVE SUMMARY

**BORROWER
AND GUARANTOR:** Government of Belize

EXECUTING AGENCY: Belize Agricultural Health Authority (BAHA) and Ministry of Agriculture, Fisheries and Cooperatives (MAFC), initially

AMOUNT AND SOURCE:

IDB(OC):	US\$3.6 million
Local counterpart funding:	US\$1.2 million
Total:	US\$4.8 million

**FINANCIAL TERMS
AND CONDITIONS:**

Amortization period:	25 years
Execution Period:	4 years
Disbursement period:	4.5 years
Interest rate:	variable
Supervision and Inspection:	1%
Credit fee:	0.75%
Currency:	US dollars from the Single Currency Facility (SCF)

OBJECTIVES: The objective of this project is to enhance the competitiveness of Belize's agricultural products, especially in foreign markets. The project seeks to improve the quality and financial viability of animal and plant health services, without a significant increase in the present level of Government expenditure, meeting the cost of further improvements from increased private sector fee income. The project seeks to reduce losses from disease and ensure the safety and quality of agricultural products for domestic and foreign consumers, with increased participation of the private sector.

DESCRIPTION: With the opening of international markets, countries are developing stricter import regulations, requiring the implementation of systems of quality control throughout the production process and certification in the exporting country prior to shipment. As a member of the World Trade Organization (WTO), Belize will be expected to conform with all rules on sanitary and phytosanitary measures by 1999. Belize's systems for controlling the quality of agricultural exports have major deficiencies that may soon prevent Belize from exporting to certain important markets.

The project will consolidate MAFC agricultural health services into one independent organization with significant private sector input into management and oversight; the project will have five components:

a. **Institutional Strengthening (US\$651,000):** Establish the Belize Agricultural Health Authority (BAHA), with active private sector participation

through the Board of Directors and User Groups; improve general public education in matters of animal and plant health; promote private sector technical services; improve the collection and distribution of information on agriculture and food-related diseases and pests; recommend improvements to existing laws and regulations on agricultural health and give producers a greater role in monitoring the quality of laboratory services.

b. **Animal Health (US\$1,557,000):** Establish a system of animal health surveillance, upgrade animal diagnostic laboratory facilities, establish a microbiology food laboratory with private users involved in oversight, and better inspection of food processing facilities, establish a better control, registration and monitor the quality and suitability of veterinary drugs, biologicals and medicated feeds, which may pose a threat to public health or the environment.

c. **Plant Health (US\$783,000):** Improve systems for plant health surveillance; upgrade plant diagnostic and entomology laboratory facilities; improve field services; strengthen internal post-entry quarantine services.

d. **International Quarantine and Inspection (US\$613,000):** Establish two new border control points, one new port control point, rehabilitate the physical facilities at six other border control points, and recondition a cattle observation station.

e. **Soils Laboratory (US\$167,000):** Rehabilitate the laboratory and lease the administration of the facility to a non-profit private sector Users Group.

**RELATIONSHIP OF
PROJECT IN BANK'S
COUNTRY AND SECTOR
STRATEGY:**

The Bank's strategy for Belize has been ratified by the government with the following identified priorities: (a) provision of physical and institutional infrastructure and complementary technical assistance to stimulate private sector development in tourism, agriculture, and agroprocessing, and (b) improvement of the human capital base through increased education and training. The proposed operation is consistent with these priorities. The project investments in infrastructure, and institutional strengthening will increase public sector efficiency in animal and plant health activities designed to support agricultural sector development and increase the competitiveness of private sector production, especially for export oriented commodities.

**ENVIRONMENTAL/
SOCIAL REVIEW:**

The main environmental and social impact of the project is obtained with the introduction of inspection and laboratory analysis, including water quality, in the agricultural productive process. The positive results will permit an increased capacity to gain food safety for domestic consumers and insure the quality standard of exported commodities. The project activities begin even before BAHA is legally established by working transitorily within the structure of MAFC. The consultants' terms of reference are available. The training of technicians and farmers in the appropriate use of pesticides and agricultural inputs will protect the health of farm workers. The biological security of the laboratory personnel will be assured with the use of adequate controls, such as the use of discharge treatment procedures, included in the design of the facilities (see paragraphs **Error! Reference source not found.**, **Error! Reference source not found.**, **Error! Reference source not found.** and from **Error! Reference source not found.** through **Error! Reference source not found.**).

BENEFITS:

The project will allow Belize to: (a) reduce the losses and improve the quality of agricultural production, (b) improve the effectiveness and financial viability of agricultural health services, (c) continue exporting agricultural products, (d) establish a reliable baseline for animal and plant diseases in Belize, (e) improve the safety of the domestic food supply and food exports, and (f) improve monitoring and control of imported veterinary and agrochemical inputs, in order to safeguard public health and the environmental quality of Belize.

RISKS:

Fiscal constraints could make it difficult for the Government to provide financial support to BAHA. To accommodate this risk, BAHA will gradually reduce its dependence on the Government by operating on a fee for service basis where possible.

The drafting of laws and regulations, and the process of parliamentary approval, can be slow and very time consuming and may delay the formal creation of BAHA or the approval of agricultural health legislation. To reduce the risk, the project will provide technical assistance on appropriate laws and legislation in an effort to avoid delays.

**SPECIAL
CONTRACTUAL
CLAUSES:**

Upon compliance with the standard conditions prior to first disbursement, up to US\$120,000 would be available to: (a) contract a lawyer to assist in the drafting of the proposed Belize Agricultural Health Authority Act and the preparation of the corresponding regulatory documentation; (b) contract an architect to finalize drawings and cost estimates for the BAHA Building Rehabilitation Program; (c) contract a local financial specialist to design BAHA's financial control system; and (d) purchase office equipment needed in the component of Institutional Strengthening (see paragraph **Error! Reference source not found.**).

Subsequent project disbursements will be subject to: (a) formal establishment of BAHA; (b) contracting of the Managing Director acceptable to the Bank; and (c) transferring of all the relevant MAFC personnel and assets to BAHA (see paragraph **Error! Reference source not found.**).

Certain special conditions shall apply to disbursements corresponding to the Microbiology Food Laboratory and Soil Laboratory (see paragraph **Error! Reference source not found.**).

Within twelve (12) months of its establishment, BAHA will present evidence: (a) that an officer of BAHA, appointed by the Minister of MAFC, be a member of the Board of Directors of the PCB and that close coordination exists between BAHA and the PCB with regards to importation of agrochemicals and training in management of pesticides (see paragraph **Error! Reference source not found.**); (b) that the Ministry of Health (MOH) has transferred personnel and laboratory equipment to BAHA, and is sending water and food samples for testing by the Microbiology Laboratory (see paragraph **Error! Reference source not found.**); and (c) the Ministry of Industry, Commerce, Public Services and Labour, and BAHA have prepared a joint program to enforce the sanitary and phytosanitary standards and to strengthen the regulation and monitoring of food processing plants (see paragraph **Error! Reference source not found.**).

Retroactive Financing: It is recommended that up to US\$10,000 of the expenses incurred before the approval of the loan, but after June 1, 1999, be eligible for reimbursement with the proceeds of the Loan as long as IDB procedures and policies have been followed. Also, it is recommended that up to the equivalent of US\$12,000 incurred in operation expenses after March 1, 1999, be recognized as local counterpart contribution (see paragraph 3.16).

**POVERTY-TARGETING
AND SOCIAL SECTOR
CLASSIFICATION:**

This operation does not qualify as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (Documento AB-1704).

Furthermore, this operation does not qualify as Poverty Targeted Investment (PTI) (see paragraph 4.34). The borrowing country will not be using the 10 percentage points in additional financing.

**EXCEPTIONS TO
BANK POLICY:**

After the Soils Laboratory has been rehabilitated, the Government of Belize will lease this facility, by sole sourcing, to a Users Group. The exception to Bank Policy on procurement is based on the selection of the Users Group, consisting of farmers groups such as the sugar, citrus and banana producers associations, without open bidding, based on their interest to operate the facilities, and their administrative capacity. Services will be available to all farmers on a fee for service basis.

PROCUREMENT:

The threshold over which Program Procurement will be by competitive international bidding is US\$225,000 for goods and services; procurement of civil works (estimated at US\$732,000) will be by competitive local bidding.